

Cromwell Fire District

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FIRE DISTRICT OFFICE
WATER DIVISION

FIRE DEPARTMENT
FIRE MARSHAL'S OFFICE

BOARD OF COMMISSIONERS

Pension Committee Meeting

Wednesday, September 15, 2021

5:30 PM

Coles Road Firehouse
105 Coles Road
Cromwell, CT

Present: Commissioners David Colligan (Chairman), Charles Epstein and Robert McIntyre. Also attending were Executive Director Julius Neto, Commissioner Robert Donohue, Fire Chief Jason Balletto, Accountant Mike Alibrio and Dan Jock from the Pension Mgt. company. Commissioner Allan Spotts was absent.

- I. Call to Order. The meeting was called to order at 5:30 PM by Chairman Colligan.
- II. Approval of Agenda. A motion was made by Commissioner Epstein, seconded by Commissioner McIntyre and unanimously approved to accept the agenda as submitted.
- III. Public Comment. Mr. Jim Bellamo was present and asked what the status was of the pension on behalf of a retiree who has since moved to GA. Retirees are not receiving reports like they did in the past. Mr. Alibrio was going to follow up on that.
- IV. New Business
 - A. Presentation and Discussion of Future Plans for the Cromwell Volunteer Pension Plan. Mr. Dan Jock was present to speak about two issues. One was volunteers participating on calls and still being able to collect. The other was to explain the options of the pension plan and the next steps.

Mr. Jock introduced himself. He works with David Scriptor at Census working on the annual pension reports. He is an actuary and a member of the American Academy of Actuaries.

The first topic to discuss was the situation in the plan where someone would move to life member status in order to receive a pension. The thinking behind that was that as long as a member is actively volunteering, they are accruing more pension. To move someone into the status where they can receive pension is complicated if they are accruing it and receiving it at the same time. The plan was designed so that only active life members can begin receiving their pension. But now since no future accruals are happening, what they are effectively doing is requiring people to become life members which would mean that the member is no longer volunteering.

Chairman Colligan explained that the structure of the Fire Department changed so that people can still volunteer and still be able to collect a pension. It used to be if a person still wants to volunteer and try to collect, they must first go to life membership. The Committee wanted to know what can be done so that they can still volunteer and collect without going to life membership.

Mr. Jock stated that what needs to be done is that a resolution needs to be drafted by the Committee with their intentions. His company can draft an amendment to the provisions of the plan. The Executive Director asked Mr. Jock to draft the amendment using the appropriate language as necessary. Mr. Jock agreed to have his office prepare the resolution. It will need to be voted on and approved by the Pension Committee. Upon approval by the Committee, it will need to be voted on and approved by the full Board of Commissioners. It was noted that by approving this resolution, there will not be any more cost involved in maintaining the plan.

A motion was made by Commissioner Epstein, seconded by Commissioner McIntyre and unanimously approved to adopt a resolution that would allow members to continue to volunteer and collect their pension if they are eligible by their age.

Mr. Jock explained how the Pension Plan is frozen. Whenever a plan freezes, the next step is termination. No one freezes a plan and then continues to sponsor the plan until the last retiree is dead. When there are only a few left collecting their pension, that is when the company considers closing the plan. Everyone in the plan will have two options.

There are 3 categories of people: active, terminated or vested and retired. Active means a person is still volunteering. Terminated and vested means they are no longer volunteering, but haven't reached retirement age yet. Retired people are retired. Active, terminated and vested people have an option. The value of their pension benefits is what it is worth today with 6% interest and a mortality table that is factored into the plan. This is what is calculated if a person wants to collect their benefit in one lump sum. This option cannot be forced on a person.

For active, terminated or vested people, no one ever takes the annuity. They usually will take their benefit and invest it in some other annuity plan that they can control. It can be rolled over into something else like an IRA with no taxes involved. If the person requests the whole amount, there would be a 20% mandatory withholding which is an income tax. 20% may or may not be the actual tax but it is the actual withholding amount. If a person has a small benefit amount, i.e., \$2,000, they may opt to take the money.

The retirees can be offered the same option. The benefit can be cashed out or keep collecting the monthly benefit until it runs out. This option does not have to be offered, and Mr. Jock suggested that this option not be offered. If it is, the term is called adverse selection. It means that people who are not well or on their deathbed are going to take the cash. People who are feeling great are going to keep their pension. If they keep their pension, the District would need to approach an insurance company and pay them to administer the plan and pay out benefits. The company will offer a bid to take the pension funds. The only thing that changes for the retiree is where their pension checks are coming from. A cash out will cost less than if funds are rolled over or given to another insurance company to manage. There is more than enough money in the plan to cash everyone out if that is possible. Mr. Jock explained that the assets in the plan are fully funded now. However, if assets were to go bad, the District would need to keep

funding the plan due to the risk of the assets. There could be extra money left after everyone is cashed out. The funds could revert back to the District, or the funds could be used to supplement everyone's benefit.

Chairman Colligan went around the room to see if anyone had questions. The Commissioners present were in agreement with the options available. There was a discussion about people being vested. People were allowed to continue to work and add time to their seniority to bring them closer to being vested. This was the discussion when the plan was frozen. Commissioner Colligan thought that at the time it was decided to give those people credit for the years that they served. The Recording Secretary was asked to review the meeting minutes to determine what was voted on at the time. Mr. Alibrio discussed the amendment that went into effect at that time. The benefits were frozen and you had to accrue the 10 yrs. Of service in order to get the benefit. People were not automatically vested when the plan was frozen.

Mr. Jock advised that in the private sector the account administrators are required to vest people on plan termination. In the public sector you are not required, but it does not cost a lot of money. It was noted that the Committee has the flexibility to treat this like a private pension. At the time the plan was frozen a couple of years ago, there may be people now that have reached their ten years which leaves some people that have not. The Committee agreed to go with the private sector option.

The Executive Director asked Mr. Jock what the cashing out process entails. After it is decided to terminate a plan, and for the people that are cashing out, the account administrators start shopping. They are entitled to shop on their own, but Mr. Jock recommended Detrick & Assoc. The company is advised how many retirees there are and shop around to the different insurance companies. That is step one, and they will help notify the retirees that their checks will be coming from somewhere else.

For the active people and terminated vested people, Distribution forms will be prepared that advises what their annuity amount is and what their cash out amount is. They will have to choose one option. If they choose cash, they need to advise where they want the money sent. They will need details of an IRA or bank account depending on where the person would like the money forwarded. There are also a couple of places on the form for signature. Mr. Jock suggested to first communicate with the person either by mail, email or letter. The timeframe to have each person come in would be a day or two. You have the person review the documents, have them sign them, and they also need to be signed by the plan administrator approving it and then the documents are returned back to the plan administrator. He suggested that everyone come into the office to review. Past experience has shown 40% of the people contacted will come in, sign and approve. Another 30% will be calling to find out what it is that they received in the mail. The last 30% will assume the mailing is junk mail and through it away. The best thing to do is not reveal the amount of the pension funds in the letter. That will get people to come into the office wanting to know what their pension amount is. It is suggested that people come in with their spouse.

Mr. Jock discussed how people are paid out. Mr. Jock recommended Pen Checks because they charge \$35 a person. They do all the necessary withholding and they cut checks. It is worth the postage for what they do. You take the money that is in the plan and take part of it to the insurance company to pay off the retirees and part of it goes to wherever they are paying out the money such as Pen Checks. Mr. Jock will fill out the

distribution amounts for Pen Checks and issue checks to everyone. Whether its rolled over to an IRA or a check that is getting sent to their house. They will issue all the payments and do the applicable federal and state withholding if they are electing to take all the money.

Mr. Jock made a couple of points. One is that there is enough money to accomplish this task. It will not cost the District anything, and it may actually revert money back to the District. There was a discussion about the options for cashing out or freezing. If there are funds leftover, should they go to those receiving pensions to boost their benefit amount or go back to the District to help fund some other projects.

A motion was made by Commissioner Epstein, seconded by Commissioner McIntyre and unanimously approved to move this issue forward to the full Board of Commissioners at next week's meeting. The issue being that upon termination of the Pension Plan, members will be able to either cash out of the plan or roll it over into an annuity or 401K. The Committee has voted to use the Private Sector option that was explained by Mr. Jock.

- V. Commissioners' Comments. Comments were made during the course of the meeting.
- VI. Adjournment. There being no further business, a motion was made by Commissioner Epstein, seconded by Commissioner McIntyre and unanimously approved to adjourn the meeting at 6:30 PM.

Respectfully submitted,



David J. Colligan, Chairman

Nancy Deegan
Recording Secretary